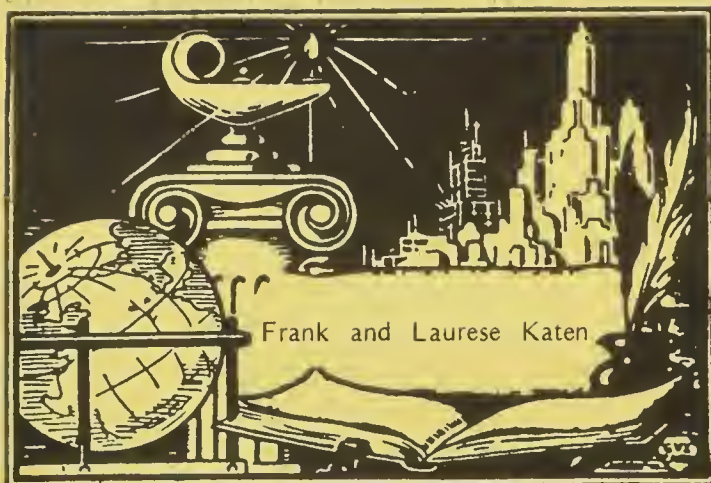


ANDREW MCFARLAND DAVIS:

Currency Discussion in
Massachusetts in the
Eighteenth Century.

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CURRENCY DISCUSSION IN MASSACHUSETTS
IN THE EIGHTEENTH CENTURY

BY

ANDREW McFARLAND DAVIS

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CURRENCY DISCUSSION IN MASSACHUSETTS IN THE EIGHTEENTH CENTURY.

I.

IN October, 1884, Mr. J. Hammond Trumbull, in the Council Report of the American Antiquarian Society, gave an account of some early attempts at banking in Massachusetts. This report was separately published under the title *First Essays at Banking, and the First Paper Money in New England*. In the fifth volume of the *Narrative and Critical History of America* Mr. Winsor, in an editorial note to the chapter on Finance and Revenue, briefly reviewed several of the more important of the contemporaneous pamphlets of that period devoted to the discussion of banking and currency. In the third volume of the publications of the Colonial Society of Massachusetts the writer has given a narrative of the events connected with the establishment and overthrow of the Land Bank of 1740, under the title *Provincial Banks, Land and Silver*. The purpose of the present inquiry is to follow, somewhat more in detail than is done in either of the foregoing, contemporary discussion in the province of the Massachusetts Bay upon the subject of banking during the period covered by the various experiments which led up to the Land Bank of 1740. This discussion makes a curious and suggestive chapter in the history of economic thought in the United States. Its direct outcome was the attempt then actually made to establish a currency based upon land; and, as the history of that attempt is somewhat obscure, it may be helpful to give also a brief sketch of the more important events connected with the Land Bank and Manufactory Scheme.

It is not material for our purpose to review all the discussions on this point during the seventeenth century which have been disclosed through the acuteness of Mr. Trumbull in the paper to which reference has just been made. The first attempt to form a bank, which left traces behind it of sufficient clearness to give us an idea of the opinions of the projectors, was actually made in 1686. After this there was a lull for a little over a quarter of a century, until 1714, when another effort to establish a bank was made. The failure at that date was followed by another lull of nearly the same length, and was broken by the organization of the Land Bank.

All three of these schemes had for their foundation a pamphlet originally published in London. It is this unity of their origin which compels us to include the bank of 1686 in any investigation of the banks of 1714 and 1740. The pamphlet which furnished the project thus made use of by all three of these banks was reprinted by the projectors of the bank of 1714. The imprint reads: "London: Printed in the year 1688. Reprinted at Boston in New England, in the year 1714." There are in our libraries copies of the London pamphlet, with the date 1688 in the imprint, but none of an earlier date. Nevertheless, the identity of the language used in the pamphlet as printed in 1688 with that in some of the documents connected with the bank of 1686, which are in the Archives, makes it certain that the person who prepared these papers had this pamphlet before him. Hutchinson says the bank of 1714 was based upon a project published in London in 1684.* This date has been assumed to be a misprint, but in all probability it

* Hutchinson, *History of the Colony of Massachusetts Bay*, ii. 207. The statement that this pamphlet was printed in London in 1684 is also made on p. 5 of a pamphlet entitled *A Brief Account of the Rise, Progress, and Present State of the Paper Currency of New England and of the Measures taken by the Massachusetts Province for establishing a Silver Currency for the Future. Together with Some Proposals for rendering those Measures More Effective*. Boston, 1749.

is right. The pamphlet of 1688 was doubtless a second edition of that printed in 1684.

In the Massachusetts Archives there is a draft of a concession, or grant, from the President and Council, bearing date September 27, 1686, from which we learn that on the 3d of July, 1686, the Council referred to a grand and standing committee, consisting of divers eminent and wealthy persons, merchants and others, for their consideration and report, a proposal for a bank, which, together with a constitution, model, and frame of rules, had been previously submitted to the Council by John Blackwell. Whether this draft of an act ever was formally adopted and passed by the Council is of little importance. There can be no doubt that in its pages we find the opinions of the Council and of the committee of merchants; and from them, and from so much of the constitution as is left to us, we can gain an idea of the opinions of the time.

The decay of trade, the obstructions to manufactures and commerce, and the multiplicity of debts were attributed to the scarcity of coin. Silver having been transported from the colony, some other medium must be found. Such a medium, it was suggested, could be found in bank bills or bank credits issued by persons of estate and known integrity and reputation. The scheme submitted by Blackwell was for the establishment "of a Bank of Credit, Lumbard, and Exchange of Moneys by persons of approved integrity, prudence, and estate in this country, wherein such a foundation is laid for delivering out bills or giving credit on such real estate of lands, as also personal estate of goods and merchandise, not subject to perishing or decay by ordinary occurrences." It was approved by the committee, who thought it would be "very useful and conduceable to the encouraging of trade, navigation, manufactures, planting, and improving of lands and estates, increasing of his Majesty's revenues,

facilitating the payment thereof, and of other debts, and removing the present greatest obstruction thereto." The Council on their part accepted the report, and thought the plan would tend to his Majesty's service, if countenanced by authority; acknowledged "the said proposal as a public and useful invention for this country," and declared "their approbation, allowance, and recommendation thereof"; promised "the countenance of his Majesty's authority, respect, and assistance," and engaged "not to molest, hinder, or interrupt the said bank or managers thereof in any of their lawful doings therein according to the said constitution." These recommendations, agreements, and engagements, with regard to the bank, were followed by an assertion that the Council held it to be reasonable that such bank bills should "be esteemed as current moneys in all receipts and payments, as well as for his Majesty's Revenue, by the Treasurer and Receivers thereof, as any other occasion for moneys whatsoever, in common trade and dealings," thus giving to the bills which the bank should issue a quasi legal tender function.

The organization which was outlined was much too complicated for a feeble country bank. Provision was made for assessors and for managers. The former seem to have been intended as a power behind the throne. From their number were to be chosen a comptroller and a deputy comptroller. The managers were to be classified as principal managers and deputy managers. A master, an assistant master, three trustees, and two treasurers were to be selected from the first of these two divisions. Besides these there were to be an accountant and his clerk, a secretary and his clerk, a register general, and an agent at the court in England. There was also a provision for a specified number of candidates from whose ranks vacancies in the assessors and managers could be filled.

The profits were to be divided into one hundred and

twelve parts, one hundred of which were to be distributed among the assessors, managers, and officers above mentioned; while the remaining twelve were to be paid to the assessors for friends to the bank,—“I know not who,” remarks the writer in parenthesis. Joseph Dudley, writing in December, 1687, says with regard to the unknown shares that it had at that time been sufficiently intimated for what they were intended; and he adds, “Further speech about the matter I judge not convenient until we are further advanced and have received your express direction to attend a very good and large dividend of profit.”

It was provided that each of the twenty-one principal managers should advance £500 in several payments, making in all £10,500. But this apparent contribution towards a cash capital is modified by a note as follows: “Note that goods may be deposited in the banks the £500 wch each one is to put in, if they please, instead of lands, and according to the rules of the bank, which sd goods or lands, or other lands or goods of like value in lieu of them, are to be continued in bank as a security stock, and foundation and patteren for encouraging of others to deal with the bank.” The underlying idea of this probably is that the deposits were as security for loans to depositors; and, if so, it was, of course, a practical abandonment of the idea of a cash capital, if, indeed, it was ever contemplated that such an interpretation could have been put upon the section of the constitution in question.

The portion of the constitution which is preserved, and certain modifications thereof (suggested apparently in 1687), show that there was some difficulty in securing the requisite number of suitable persons to effect the organization upon the plan indicated in the constitution. It was apparently determined to proceed with the power lodged in the hands of four assessors. These are designated by initials; and the papers indicate very clearly that three of these were Joseph Dudley, president of the

Council from May to December, 1686, and afterward a member of the Council; William Stoughton, a member of the Council; and John Blackwell, the projector of the scheme. "W. W." could only have been Wait Winthrop, another member of the Council. From all this it is obvious that the founders of the proposed bank in 1686 relied mainly upon government approval and support. If Dudley had not judiciously curbed his speech, we could better tell how that support was to have been secured.

It has been already stated that the draft of the act approving the bank unquestionably represents the opinion of the Council in 1686. Dudley's letter of December 2, 1687, from which a quotation has been made, shows that at that date he and Stoughton were still in favor of the bank, and regarded it as upon the eve of beginning operations. Yet in July, 1688, Blackwell says the whole thing had been abandoned. The rolling-press had been returned to be sold; and naught remained of the company save a claim for compensation for "framing of the rolling-press, etc., as afterward in using it for tryall of the plates and printing off some bills," another "for paper and for the large skins of parchment chosen out and taken thence by Mr. Addington and me [Blackwell] for engrossing the Articles of Agreement between the assessors and managers," and still another for "writing out the abstracts of the book intended to be printed."

It was, no doubt, a consequence of this abandoned scheme that in June, 1700, a joint committee of the Assembly was appointed "to consider of methods for the reviving and support of trade and commerce, and to enable the inhabitants of this Province to pay publick taxes by endeavoring to find out some suitable medium to supply the scarcity of money." One of the remedies suggested by this committee was a bank of credit, having a monopoly of the power to make and emit bills of credit during the term of the bank. The committee also recom-

mended "that no person shal or may buie any of sd Bills under the value therein expresst, on penalty of forfeiting the vallue of the same so expresst in sd Bill or Bills." These recommendations, rejected though they were by the General Court, show that belief in the power of legislatures to maintain degraded currencies is not of recent birth.

The next effort to secure from the Assembly authority to establish a bank of issue was made in 1714. Before proceeding to the consideration of this affair, a few words should be said in explanation of the relations of the Province to the currency then in circulation.

The emission of government bills had been inaugurated under the Provisional Government in 1690. They were mere certificates of indebtedness on the part of the government, receivable by their terms in payment of government dues. They were originally put forth in anticipation of taxes, and provision in the tax levy was made each year for calling them in promptly. It was not the custom to destroy the notes when returned to the treasury; but they were from year to year reissued, a practice which was continued for several years under the Province charter. This currency was generally spoken of as Colony or Old Charter bills. In 1702 this practice of reissuing the Colony bills was discontinued, and bills of the Province were substituted.

When the government first offered its notes to creditors in place of coin, they were received with distrust. But when it was seen that no effort was made to circulate more of them than were required to meet the immediate necessities of the situation, and that no attempt was made to postpone the period when they should be called in, they were accepted with confidence by the entire community. So long as this conservatism on the part of the government continued, the bills circulated at par. With the Province notes of 1702 came a change. The amounts

annually issued steadily increased; and the designated tax levies, through which they could be returned to the treasury, were postponed from year to year. In 1714 it was provided that the issue then made was not to be called in by taxation until 1720. The career of depreciation of these notes began very soon after this system of postponement was inaugurated. By 1714 the discount had reached thirty per cent. Silver and gold had been displaced by the Provincial notes, and the effect of the discount, in reducing the purchasing power of the only medium of trade then in circulation in the Province was to raise a cry for more notes. It was to remove the difficulties in the way of trade caused by the scarcity of money that a bank of issue was proposed in 1714.

In furtherance of their scheme the promoters of the bank reprinted the London pamphlet of 1688, to which reference has already been made.* The preface to the Boston reprint of 1714 describes its contents as a scheme for a bank of credit founded upon land security. Money, the writer says, whether gold or silver, is but a measure of the value of other things, and was occasioned by the inconvenience of common barter. The "balance of the surcharge of goods imported" is adjusted by traders by the remittance of coin, which has occasioned in many countries an insufficiency of money. Some of those who have studied how to supply this deficiency have happily pitched upon that of banks, Lombards, and exchange of moneys by bills. Such banks could better be managed by private persons of known integrity, prudence, and estates. The best foundation for such an attempt is that of real and personal estate instead of "the species of gold and silver." The way to organize such a bank is for a

* *A Model for erecting a Bank of Credit, with a Discourse in Explanation thereof. Adapted to the Use of any Trading Country where there is a Scarcity of Moneys; more especially for his Majesties Plantations in America.* London. Printed in the year 1688. Reprinted at Boston in New England in the year 1714.

considerable number of persons, some of each rank, trade, calling, and condition, in the principal places of a country, to agree voluntarily to receive as ready moneys of and from each other and from any persons in ordinary dealings, bank bills of credit signed by several persons together in a partnership, given forth on lands of good title mortgaged, and staple, imperishable goods, and merchandise deposited, to the value of about one-half or two-thirds of the respective mortgages and deposits.

The management of such a bank should be in the hands of one-and-twenty persons, whereof seven should be called principal managers, and should be the executive officers of the partnership. There should also be a number of "assessors," who should have the oversight and control of the whole affair. Each partner should be required to deposit either money or property of some sort in the bank as security for his upright dealings, and to answer damages to the extent of his respective share.

The bills should be signed by two or more of the partners who were to oblige themselves, and all and every their partners to accept the same for so much current moneys as should be in them mentioned, in redemption of any estate in said bank. It was specifically set forth that no person should be compelled to accept bank bills of credit unless he should voluntarily agree to do so. Provision was made for closing the bank by creditors or by the managers. In such event, bills remaining in possession of the bank which were issued on real or personal security were "to be esteemed and passed as current moneys of the value of the present coin in all receipts and payments whatsoever during the said term." It may be assumed that this clause refers only to bills for which the bank still retained security, and is not intended to assert the power of reissue after the original loan had been paid.

Borrowers from the bank who should redeem their pledges in specie ought to be charged an addition of

forty shillings on every hundred pounds, since the managers of the bank did not “desire the ingrossing of coin or streightning men’s occasions thereby.”

The following imaginary question is propounded in the pamphlet: Can I have money for bank bills when I have occasion? To this the pamphleteer responds: “’Tis not propounded to be a bank of money (which is liable to inexpressible and unforeseen hazards), but of credit to be given forth by bills; not on money advanced, as in other banks, but (on lands or goods, as aforesaid) to supply such as cannot get money (by reason of its scarcity) with such as may be had for money.”

The foregoing bank proposal of 1714 was unmistakably a repetition of Blackwell’s bank scheme of 1686. But the promoters also prepared a separate scheme of their own, which they published in pamphlet form.* It was in the nature of an agreement between the subscribers thereto, and was dated October 30, 1714. It opened with a recital of the decay of trade, and alleged that there was no other expedient for revival than the establishment of a fund or bank of credit, which might give the bills issued therefrom a general currency. The limit of the subscription was set at £300,000; and every subscriber was to settle and make over real estate to the value of his respective subscription to the trustees of the partnership, or bank, to be and remain as a fund or security for the bills emitted therefrom, such emission not to exceed the subscription. The subscribers agreed to give currency to the bills thus emitted on the same basis as that given to the Province bills. Persons not subscribers could borrow bills or have credit at the bank on furnishing proper security. The interest to be paid on loans made by the bank was fixed at five per cent., and prudent limits were set for the proportionate sums which could be lent upon the securities deposited

* *A Projection for erecting a Bank of Credit in Boston, New England, founded on Land Security.* Printed in the year 1714.

with the bank. There were to be seven trustees; seven directors, one of whom was to be president; one treasurer, who was required to give bonds; one head clerk and one under clerk, from whom also security was required.

The form of the bill which it was proposed to issue was as follows:—

This indented bill of credit obliges us and every of us, and all, and every of our partners of the Bank of credit of Boston in New England, to accept the same in lieu of twenty shillings, in all payments, according to our articles of agreement; and that it shall be so accepted by our Receiver or Treasurer, for the redemption of any pawn or mortgage in the said Bank.

Boston, November first, One thousand seven hundred and fourteen.

It was proposed that out of the net profits £400 per annum should be given for a charity school in Boston, provided the inhabitants and freeholders voted to accept the bills for town taxes and assessments. Certain amounts were to be given annually to Harvard College and to each county for educational purposes.

From controversial pamphlets which appeared at that time it seems that in February of that year the promoters of this scheme, after having consulted with the governor and the secretary of the Province, presented a petition to the General Court for the necessary powers to carry out their programme. They were seeking, they said, for a remedy for the scarcity of the circulating medium occasioned by the flow of silver to England and the constant calling in of the bills of credit of the several Provinces through the funds on which they were emitted. Their consultation with the governor was for the purpose of ascertaining if he favored the interposition of the Province in the form of a public loan of Province notes,—a plan of relief which had apparently been publicly discussed; and they understood his position to be that he would advocate their scheme both here and in England. The presentation of this petition caused Paul Dudley to forward a memorial

to the Governor and Council in opposition thereto, in which it is evident, as appears from language used in a subsequent pamphlet, that he pointed out certain defects and weaknesses in the proposed bank. It may be inferred that the whole matter was referred to the Board of Trade; for on the 20th of August the Council issued an order, of which the important points are as follows:—

Upon reading a memorial presented by the Queen's attorney-general, setting forth that upon good information a certain number of gentlemen and merchants are projecting a bank of credit, as they call it, . . . ordered that the projectors and undertakers of any such bank do not proceed to print the said scheme, or put the same on public record, make or emit any of their notes or bills, until they have laid their proposals before the General Assembly of this her Majesty's Province.

After the issue of this order the projectors remodelled their scheme, influenced perhaps by the criticisms of Dudley; for the scheme as set forth in his pamphlet differs from that which has already been described. Indeed, Dudley states in a postscript to his pamphlet that certain of his objections have been met or partially met by changes in the scheme. The proposition, as amended, was submitted to the October session of the General Court.

This application for the support and approval of the government aroused a spirit of bitter opposition, which manifested itself not only within the limits of the General Court, but found expression elsewhere. To forestall the argument that the bills thus proposed to be issued were needed as a circulating medium, the enemies of the scheme resorted to the means which had been foreseen by the petitioners, and introduced an act authorizing the Province to furnish Province bills to citizens on security of real estate. The two plans came to be designated as the Private Bank and the Public Bank. The General Court was so completely converted to the Public Bank that it authorized the issue of £50,000 in Province bills, to be

lent on real security, with provision for repayment of one-fifth of the principal each year with interest. Not only this: it also passed an order on the 5th of November forbidding any company or partnership from emitting bills of credit as a medium of exchange or trade without its consent and approbation.

The positive stand thus taken by the government in 1714 did not, however, put an entire stop to the discussion. The matter was still being agitated in December, 1715, when, at a town meeting held in Boston, the question was submitted whether the influence of the town should be given in favor of a public or a private bank. The agitation could only have been prolonged at this period by those who favored the private bank; and it is clear that they were signally defeated, since Boston not only voted to favor a public bank, but even went to the extent of placing on record the town's disapproval of a private bank. Hutchinson says, "The controversy had a universal spread, and divided towns, parishes, and particular families." The pamphleteers of the day did not devote themselves to the discussion of the proposition proclaimed in the London pamphlet of 1684 and 1688,—that land was a better security for bills than specie,—but mainly confined themselves to a rehearsal of the relative merits of a public or a private bank. The right of the projectors to go ahead, if they chose, in spite of the General Court, without incorporation and without pretence of being other than a mere partnership, was asserted by those who favored the Land Bank.

These facts are deduced from three controversial pamphlets published at that time. One, by Paul Dudley, was evidently published during the October session of the Assembly.* A second, by an anonymous writer, endeavored

* *Objections to the Bank of Credit lately projected at Boston. Being a Letter on that Occasion to John Burril, Esq., Speaker of the House of Representatives of the Massachusetts Bay in New England.* Boston, 1714.

to meet Dudley's aspersions.* This was evidently issued in November; and in its pages the writer asserts that the projectors have agreed by a humble petition to lay the matter "before his Majesty, praying for a charter of incorporation." The third was issued by the directors of the proposed bank in December,† and was published over the signatures of Samuel Lynde, E. Lyde, John Colman, Elisha Cooke, Jr., J. Oulton, Timothy Thornton, Oliver Noyes, William Pain, and Nathaniel Oliver. The General Court had in August ordered them not to print their scheme. In this pamphlet they assert that they have not hitherto done so, but, since their scheme has labored under needless aspersions, they have concluded to print it. The pamphlet, entitled *A Projection for erecting a Bank of Credit in Boston*, which has already been described, was probably the result of this conclusion; and, if so, it could not have been issued until some weeks after the projectors had been forbidden as a partnership to emit any bills of credit.

The Province having assumed the function of supplying the people with a currency by direct loans, there was no longer any opening for individuals to apply for charters for banks. Notwithstanding this fact, a pamphlet warfare was maintained on this subject for about seven years after this date. Then the discussion of the subject was dropped until Belcher was appointed governor in 1730. Shortly after this event it was renewed. It does not appear why there should have been a cessation of the discussion in 1721, but the coincidence with a loan of £50,000 to towns may suggest a cause. At any rate, the fact is conspicuous that in 1720 the discussion was active and acrimonious, and then suddenly ceased. Not much is to be gained

* *A Letter from one in Boston to his Friends in the Country, in Answer to a Letter directed to John Burril. . . . Printed in the year 1714.*

† *A Vindication of the Bank of Credit projected in Boston from the Aspersions of Paul Dudley, Esq., in a Letter by him directed to John Burril, Esq., Late Speaker. . . . Printed in the year 1714.*

from the examination of the publications on banking at this period, yet some account of them is essential for the complete understanding of our subject. For this purpose we may take them up chronologically, in the order of their appearance.

The first of these pamphlets was issued anonymously in 1716. It was devoted to the discussion of "the several sorts of Banks propos'd as a medium of Trade."* The "Projection" of 1714 was described, and condemned as being rather in the interests of the bankers than for public good. The emission of Province bills by the government, to be loaned on security at interest, was denounced as dangerous. A suggestion that the Province should issue public bills and loan them to towns in proportion to their rates was pronounced "most eligible." The proposition, however, which evidently met with the greatest favor of the writer, was for the establishment of what he called a "private bank" by business men, which should loan bills to subscribers, each of whom should give adequate security for the amount he should take out. The subscribers were to be responsible for the expenses of the bank, but were not to pay interest for the bills thus withdrawn. This process was to be kept up "till a competent cash be taken out, and then the books to be shut up and no more bills emitted." "Such a bank," the writer thought, "might be very useful as a medium of trade, and would soon obtain in this Province to be as good as the bills of the Colonies." Whether such a crude proposal as this met with public approval cannot now be determined, but it is at any rate significant as representing some trend of opinion in the community.

In the same year (1716) the government took a hand, launching on the market £100,000 in Province bills,

* *Some Considerations upon the Several Sorts of Banks propos'd as a Medium of Trade, and Some Improvements that might be made in this Province hinted at.* Boston, 1716

which were furnished proportionately to the counties, to be loaned out on real security on ten-year loans. The preamble of the act in which this was authorized alleges that it was done because all the silver in circulation was being sent to Great Britain to meet obligations there, while the bills of the Province were scarce in consequence of their being yearly called in. The discussion flagged for a year or two after this emission; but in 1719 a writer, who seems to have had clearer perceptions of the underlying difficulties of the situation than most of the pamphleteers possessed, suggested that, if the provincials would import fewer goods and rely more upon themselves, they would soon better their circumstances.* “A thousand schemes,” he says, “about banks and paper money would not help us like this.”

In 1720 there were evident hopes that an Assembly might be elected which would favor a private bank. The discussion assumed, to a certain extent, a political phase; and John Colman, who became prominent in the later Land Bank scheme of 1740, took a hand in the controversy in his pamphlet on *The Distressed State of the Town of Boston*. For a time the answers to this pamphlet, the replies to the answers, and the vindications of those who replied, gave considerable animation to the discussion.†

* *The Present Melancholy Circumstances of the Province considered and Methods for Redress humbly proposed in a Letter from one in the Country to one in Boston*. Boston, 1719.

† *The Distressed State of the Town of Boston, etc., considered in a Letter from a Gentleman in the Town to his Friend in the Country*. Boston, 1720.

I am indebted to Mr. C. A. Duniway for information that the Records of the General Sessions of the Peace for May, 1720, Suffolk Court House, contain the proceedings against Colman in a criminal suit for libel as the author of this pamphlet. The proceedings were instigated on information from the Council. Colman gave bonds, and on the 5th of July his recognizance was discharged. Felt alludes to this libel suit.

A Letter from one in the Country to his Friend in Boston containing Some Remarks upon a Late Pamphlet entitled “The Distressed State of the Town of Boston,” etc. Boston, 1720.

A Letter from a Gentleman containing Some Remarks upon the Several

Colman was arrested for libel, but was shortly thereafter discharged on his own recognizance. In his pamphlet he reviewed the situation of affairs in the Province. He asserted that the people were suffering for the lack of a currency, that there was not enough for the ordinary transactions of life, and that this had occasioned a multiplicity of lawsuits. The attempted remedy for this, the act to shorten credits, had done more harm than good. The public bank then had outstanding more than three thousand score pounds, and nothing to pay it with. All the bills in circulation were needed to meet the interest on the loans; and, when that was paid, there would be none with which to pay the principal. Those who agreed with Colman repeated his arguments, while those who opposed him asserted that the distressed state of trade was not due to want of bills. The emission of more bills would increase the evil. The true remedy, it was suggested, was to shorten credit.

The controversy provoked by Colman's *Distressed State of the Town of Boston* was entirely disproportionate to its value. He was influenced by it, however, to take up the pen once more in 1720.* It would be useless to reproduce his arguments or his personalities, but a specific proposition for a bank which he includes in this second pamphlet deserves notice. This bank was to be founded upon land, and any inhabitant having an estate in land might be a partner. The rate of interest on loans was to be six per cent., and the excess of the interest above expenses was

Answers given unto Mr. Colman's Pamphlet entitled "The Distressed State of the Town of Boston," etc. Boston, 1720.

A Vindication of the Remarks of one in the Country upon the Distressed State of Boston from Some Exceptions made against 'em in a Letter to Mr. Colman. Boston, 1720.

* *The Distressed State of the Town of Boston once more considered, and Methods for Redress humbly proposed. With Remarks on the Pretended Countryman's Answer to the Book entitled "The Distressed State of the Town of Boston," etc. With a Schæme for a Bank laid down, and Methods for bringing in Silver Money proposed.* By John Colman. Boston, 1720.

to be held until the profits amounted to the original sum emitted. Borrowers were to be paid in bank notes or bank credits. It is a vanity, he adds, to think that a private bank would answer, unless the government supported and encouraged it by suitable laws, as they have done with Province bills.

Most of the pamphlets of this period are very brief and crude. They simply rehearse the opinions and hopes of the writers, with little attempt at logic or argument. One among those which appeared in 1720 shows some skill in construction.* Trade, the writer says, is necessary for prosperity. It requires some medium, and that must be based upon the produce of the country. In order that trade should be advantageous, exports should exceed imports. The medium of exchange will follow such a trade, will be gained by it, and, once acquired, will remain as long as the balance is on the right side. Trade can only be preserved where a people are diligent and frugal. Where such a people want money, it may be useful for them to use their credit; and the writer concludes that the restoring and upholding public credit is a good way to put an end to these controversies.

One method suggested for the relief of trade in a pamphlet issued in 1720 was for the emission of one hundred thousand pounds in Province bills, to be lent without interest to merchants on sufficient real security. The loans were to be repaid in annual instalments in silver at a specified rate. The silver thus received in the treasury was to be applied in redemption of the outstanding currency.† It appears from references made by the author

* *Reflections on the Present State of the Province of Massachusetts Bay in General and Town of Boston in Particular; relating to Bills of Credit and the Support of Trade by them; as the Same has been lately represented in Several Pamphlets.* New England, 1720.

† *A Project for the Emission of an Hundred Thousand Pounds of Province Bills in Such a Manner as to keep their Credit up Equal to Silver and to bring an Hundred Thousand Pounds of Silver Money into the Country in a Few Years.* Boston, 1720.

that he had already contributed two letters to the controversy.—Still another proposition in that year was that there should be a Province bank established, which should furnish bills upon any sufficient security for a term of twenty-one years, the debtor to pay the same at the rate of six per cent. per annum, beginning the second year, “in hemp, flax, turpentine, pitch, tar, rosin, fish, oil, whalebone, or any other specie that would prevent importation or that was good for exportation, especially what the Crown and nation of Great Britain encouraged.”* The twenty annual payments of six per cent. were to extinguish the obligation of the debtor to the bank. The more the farmer takes out of the public bank and pays in hemp, etc., says the writer, the richer the Province will be. The proposal to make the notes thus to be issued by the Province bank payable in commodities is of interest, as it is the first suggestion of the experiment which was afterwards put in force by the Land Bank of 1740.

Felt quotes from a reply of the House of Representatives to the governor’s speech, in March, 1721, a statement to the effect that it was the judgment of the House that the premium in silver could have been prevented by an act to hinder the buying and selling, bartering or exchanging, silver money above a certain rate; and, further, that they (the House) believed that even then by passing such an act they could prevent further depreciation of the bills.† The violence of the attacks made in one of the pamphlets in 1720 caused the House to allude to the publication by title in this official document.‡ At this

* *Some Proposals to benefit the Province.* Boston, 1720.

† Felt’s *Massachusetts Currency*, p. 77.

‡ Mr. Trumbull in the Brinley Catalogue quotes the title of this pamphlet from Hutchinson as *News from Robinson Crusoe’s Island*. Hutchinson gives the extract from the reply of the House in which they allude to the pamphlet (Hutchinson, ii. 223). *News from Robinson Crusoe’s Island* was the forerunner of a series of pamphlets purporting to emanate from the same locality. The Brinley Catalogue gives their titles and some details connected with them.

same date, in March, 1721, a pamphlet was published, in which it was stated that there were two parties in the Province, one of which attributed all the evils under which they suffered to paper money, while the other asserted that the troubles were caused by lack of a medium of trade.* To the author of the pamphlet the true cause of the trouble seemed to be the extravagant consumption of foreign commodities, and he was of opinion that the issue of more bills would act upon the disease like a cordial. The proper foundation for a system of paper money he declared to be the produce or movables which could be spared for exportation, and not real estate. A medium of exchange should have known value, and should be easy of transportation. The value of notes always depends upon "the fund of the bank." If this fund is movable, it can be made use of to redeem the bills. Land is not available for such a purpose. The abundance of a medium of exchange depends upon the industry and prudence of the people. Overtrading will throw this medium into the hands of creditors. This will be dangerous, if the fund be based upon

One, entitled *Reflections upon Reflections; or, More News from Robinson Crusoe's Island*, was attributed to Elisha Cook. *News from the Moon* was a satire aimed at the House for proceedings against the printer of one of the *Crusoe* pamphlets.

A *Letter to an Eminent Clergyman in the Massachusetts Bay, containing Some Just Remarks and Necessary Cautions relating to Public Affairs in that Province*, printed in the year 1720, is devoted to the advocacy of a paper currency. It contains an advertisement announcing as forthcoming *The Saddle set on the Right Horse, Crusoe's Island*, 1721.

Another pamphlet of this series is entitled *New News from Robinson Crusoe's Island, in a Letter to a Gentleman at Portsmouth, Crusoe's Island*, printed in the year 1720. It was perhaps intended as a counter-attack in consequence of the publication of *News from Crusoe's Island*. It is directed against the "wretched misers" into whose hands the paper credit outstanding has fallen. The spring and source of the opposition to the emission of more "paper credit" was attributed to covetousness, envy, pride, and hypocrisy. "Is it any wonder," says the writer, "that a few muck-worms who have monopolized vast hoards of bills should oppose more bills?"

* *A Discourse shewing that the Real First Cause of the Straits and Difficulties of this Province of the Massachusetts Bay is its Extravagance, and not Paper Money, etc.* By Philopatria. Boston, 1721.

lands. Merchants cannot be relied upon to maintain the bills. "I am credibly informed," he says, "that at the last session of the General Court, when the bill passed in the lower House for emitting a sum of paper money, the merchants immediately raised twenty-five per cent. upon their goods." Nevertheless, he recommended a five-year loan of Province bills to towns. This recommendation evidently was in accord with the opinions generally held. The Assembly was at that time discussing this proposition to emit Province bills for distribution among towns; and on March 31, 1721, an act was passed by which £50,000 was apportioned among the towns on the basis of the last tax, to be withdrawn by taxes in five annual instalments, in the years 1726-30.

In one among the pamphlets issued in this year (1721)* the paper money of the times was attacked. Had there not been men of substance in this country, says the writer, some that had money and some that had goods, you might have made paper bills till you had been blind, they would not have fed your bellies nor have clothed your backs. On the other hand, another was issued this same year in advocacy of a private bank. Though somewhat quaint and gossipy in style, it yet stated its main points in specific propositions, and, following a favorite method of the day, furnished a series of answers to conjectural objections.† Mr. Trumbull has identified the author with

* *The Second Part of South Sea Stock, being an Inquiry into the Original of Province Bills or Bills of Credit, now in Use in his Majesty's Plantations, more especially in New England, with Some Thoughts relating to the Advantage or Hurt done by emitting the Said Bills.* Boston, 1721.

† *A Word of Comfort to a Melancholy Country, or the Banks of Credit erected in the Massachusetts Bay, fairly defended by a Discovery of the Great Benefit accruing Legitimately to the the (sic) whole Province, with a Remedy for Recovering a Civil State when sinking under Desperation by Defeat on their Bank of Credit.* By Amicus Patriæ. Boston, 1721.

The publication of *A Word of Comfort, etc.*, called forth an attack under the guise of an advertisement, dated at Castle William, in which the private affairs of the author of the pamphlet were referred to. To this advertisement the writer replied in a brief pamphlet entitled *A Friendly Check from a Kind*

Rev. John Wise, of Chebacco (Essex). A medium of trade, says this writer, need not be costly if it be but convenient and safe. The more cost and intrinsic worth a medium carries with it, or the more valuable it is in itself, the less useful it will be in supporting a universal trade and commerce. Comparing coin and paper as mediums of trade, he says the money medium from its costly and valuable nature is very inconstant, unfixed, and volatile. The Province can create a medium which will do better than money, and this may be by a public or a private bank of credit. The latter he prefers. He would have it incorporated, and thinks it should be managed by men of known integrity, of real estates, good influence, and considerable trade.

This was the last appeal for a private bank for a number of years. The distribution of Province notes among the towns seems to have put an end to the hopes of these agitators for the time being. In pursuance of the policy already established in that regard, £60,000 in Province bills were once more distributed proportionately among the towns in February, 1728, for the use of which four per cent. was to be paid to the Province, the loan to be called through five annual instalments in the tax levies of 1734-38. During the rest of the decade 1720-30 nothing more was heard of bank schemes and bank issues. The discussion did not again emerge till the next decade, when it led finally to the Land Bank Scheme of 1740.

Relative to the Chief Cannoneer, founded on a Late Information dated N. E. Castle William, 1720, 21. The object of the pamphlet, he says, was to make known a desire that, if any gentleman think it agreeable with the interests of the Province to write in opposition to Amicus Patriæ, they will do it solidly, and not peevishly. In an appended letter addressed to his son, he gives an account of his affairs in connection with a loan from the public bank, and says that what he had written was purely in love to his country, that all men in their affairs might be as prosperous as he was. The advertisement dated at Castle William is reproduced on the 7th and last page.

II.

We have seen that the bank controversy, which had been active in 1714–21, came to a standstill in the third decade of the century. Its revival in the next decade seems to have been due to the change in the conditions under which the government issues — the Province bills — were put forth after 1730.

Until the spring of 1730 it was the custom for the Assembly to issue Province bills for the expenses of the government by the passage of "resolves." The formality of the passage of acts for this purpose was now entirely dispensed with, and thereby the necessity of the approval of the Privy Council was avoided. In May, 1730, instructions were received to the effect that in future no bills should be issued except by acts of the Assembly. When Belcher assumed the reins of government in August of that year, he brought with him royal instructions which limited the power of the government in that direction. The annual issue was not to exceed £30,000, to be applied only for current expenditures, and outstanding issues were to be absolutely withdrawn from circulation according to the terms of the resolves or acts under which they were issued. It was obvious that, if these instructions should be carried out, there would be a diminution of the currency in circulation. It happened, also, that there was in progress at this time a dispute between the Governor and Council on the one hand and the Assembly on the other, as to the right of the Assembly to pass upon debts incurred by the government before appropriating the money for their payment. Pending the settlement of this question, the Provincial government allowed the debts of the Province to accumulate, and abstained from issuing bills except for the payment of a few salaries. Perhaps it was in consequence of the small number of bills issued in 1731

and 1732 that the scarcity arose of which Hutchinson says, "In 1733 there was a general complaint throughout the four governments of New England of the unusual scarcity of money." *

At all events, hope evidently revived in the breasts of those who favored banks of issue, and they renewed the pamphlet warfare. From this time forth it was continued with few breaks until it culminated in the organization of the Land Bank.

The first pamphlet put forth in this renewal of the discussion was without date, but was evidently issued about 1733. It contained a new proposition for a private bank.† A number of merchants and traders were to enter into a copartnership and issue bills or notes to circulate in lieu of money as a medium of exchange. They were to oblige themselves to give the same credit to these bills or notes as they then did to the bills issued by the government. As far as practicable, they were to force the circulation of the notes by a species of boycott on those who should refuse to receive them. The copartnership was not to engage in trade, but simply to lend the notes at interest. Adequate security was to be demanded for loans, real estate being preferred. The bank was also apparently intended as a bank of deposit; for its advantages as a place where money could be left are pointed out.

It may be inferred that the writer of this pamphlet had in mind the issues which a company of Boston merchants actually made at this time, partly in consequence of the peculiar position of the different colony issues. Massa-

* Hutchinson, II., 380.

† *Money the Sinews of Trade. The State of the Province of the Massachusetts Bay considered with respect to its trade for want of a Medium of Exchange wherewith to manage, &c., &c., &c., &c. By a lover of his country.* Boston, N.E. [1733?] There was a pamphlet issued in 1731, entitled *Trade & Commerce inculcated . . . with some proposals for the bringing gold and silver into the country*, Boston, 1731, which may have discussed the question of Banks. The only copy of this pamphlet of which I have information was purchased at the Brinley sale by the Congressional Library. At present it cannot be found.

chusetts and New Hampshire were at this time restrained by royal instructions in their powers to emit bills. Rhode Island had full power to float them at will, and in July, 1733, issued £100,000. A number of Boston merchants entered into an agreement not to receive these bills in trade, and they organized a company and issued £110,000 of their own notes, redeemable in ten years in silver at nineteen shillings per ounce, the bills resting for their security solely upon the solvency of the individuals composing the company. It turned out that these bills, which were known as Merchants' Notes, did not long remain in circulation. Silver rose rapidly shortly after their issue, and in consequence they were at a premium and were hoarded by those having them in possession.* In 1736 a pamphlet was issued in which the writer accused the merchants of being themselves instrumental in causing the premium on their own notes.† They were buying them up at an advance, he alleged, in order to make it impossible for those who had borrowed them on mortgages to redeem their estates. He could not understand why the Assembly should hesitate to pass a law making Province bills a lawful tender for obligations contracted in these notes.

A scheme for bringing the Province bills to a silver basis was promulgated in 1736 by a pamphleteer who could not see why "leather, paper, or anything else we agreed to and put a stamp on" should not "answer for money as well as silver."‡ His plan, he alleged, had been several times before the General Court. The gov-

* In 1734 some New Hampshire merchants made a similar attempt. Their notes were payable in bills of the several colonies in silver, in gold, or in hemp at Portsmouth prices in 1747. "As to the hemp bank," says Governor Belcher in his correspondence, "they are wild, and it will be a bank of wind." *Massachusetts Historical Collections*, VI. Series, vol. vii. p. 159.

† *The Melancholy State of this Province considered in a letter from a gentleman in Boston to his friend in the country.* Printed in the year 1736.

‡ *A letter to a member of the Honourable House of Representatives on the present state of the Bills of Credit.* Boston. Printed in the year 1736.

ernment was to emit an adequate amount of new bills, to be let out to such persons as would oblige themselves to pay annually for ten years for each thousand pounds one hundred and ten pounds in silver coin at the rate of six shillings and ten pence per ounce, or in gold coin in proportion. At the end of five years the redemption of the bills thus issued was to begin. The possessors could then exchange them for one-half coin, one-half new bills. The bills were to be a legal tender. The circulation of bills of other governments was to be forbidden. In considering the practicability of this proposition, it must be remembered that when it was put forth, silver was rated in the Province at twenty-seven shillings per ounce.

The contribution of the year 1737 to the pamphlet warfare consisted in a brief proposition for a Land Bank.* The nominal amount of notes of this bank was set at £500,000, of which £200,000 were to be emitted on loans on real security at six per cent. The rest were to be negotiated "by transfer," which meant, perhaps, that accounts were to be opened and transfers of credits made upon the books of the bank. Bills of other governments were to be discredited by the partners. The writer alleged that there could be no such thing as over-trade. The greater the importation, the cheaper the imported goods, and the higher the rates that would be received for produce of the Province. Money he conceived to be less safe than land security as a basis for a bank.

In 1738 a plan was proposed for the emission of a new form of bills by the Province, which should be lent out, payments on the loans to be made in annual instalments in coin, thus bringing the Province to a specie basis. This scheme was vigorously opposed by a pamphleteer, who apparently would have endured the admitted evils of the old bills rather than hazard the intricate experiment of the

* *A proposal to supply the Trade with a Medium of Exchange and to sink the Bills of other Governments.* Boston, printed in the year 1737.

new.* He thought old-tenor bills in most respects superior to silver for money, and even recommended the Colony of Rhode Island to emit bills at a low rate of interest, for short periods, alleging that "the length" was the only just objection to the last emission of that colony.

This called forth a reply which is attributed to Dr. William Douglass,† a practising physician in Boston, and an uncompromising advocate of what may be called "sound money" principles. In addition to the part which Douglass took in the pamphlet warfare concerning the currency and the banks, he published a history, entitled *A Summary, Historical and Political, . . . of the British Settlements in North America*. The *Summary* is frequently cited by historians, but it is doubtful if full justice is done to the work, in consequence of the extravagant way in which the author expresses his opinions. Eliot, in his *Biographical Dictionary*, says that the *Summary* is "a collection of things which came into his head, whether they related to his family, his private squabbles, or the affairs of the publick." Palfrey calls him a "master of ribaldry"; says he is not "trustworthy as to facts," and styles him a "conceited censor." The appearance of the history was the occasion of a libel suit, brought by Admiral Knowles against Douglass. Adam Smith, on the other hand, speaks of him in the *Wealth of Nations* as "honest and downright Dr. Douglass."‡ Whatever we

* *Some observations on the scheme projected for emitting £60,000 in bills of a new Tenour, to be redeemed with Silver and Gold, Shewing the various operations of these Bills, and their tendency to hurt the publick interest. In a letter from a Merchant in Boston to his friend in the Country.* Boston, 1738.

† *An Essay concerning Silver and Paper Currencies, more especially with regard to the British Colonies in New England.* Boston [1738]. The pamphlet last cited (*Some Observations . . .*) has been attributed to Douglass: thus in the sketch of Douglass in Palgrave's *Dictionary of Political Economy*. In fact, his *Essay concerning Silver and Paper Currencies* was a direct reply to *Some Observations*. The person who might have made the mistake in Douglass's lifetime would have been severely castigated.

‡ *The Wealth of Nations*, Book II., chapter ii. (p. 144 of M'Culloch's edition).

may think of Douglass's style, we must recognize in him a vigorous champion of sound money, and an able and well-informed writer, to whose works we are forced to turn for many facts concerning currency and exchange.

In the reply which Dr. Douglass thus issued, he discussed the legal tender quality of Province bills,* and said that nothing ought to be a tender but what was a tender all over the commercial world. He also pointed out instances of the bad effect of making bills a legal tender. He thought a paper credit founded on a silver specie currency might be a good expedient; but argued that the Province bills constituted a Province debt, and that private bills on a proper foundation would really be better than public bills. Large emissions of public paper money begot extravagance. Wherever there were several sorts of currencies in circulation, the basest was destined to become the common currency. He was of opinion that if the public paper credit were gradually removed, trade would find the gold and silver to fill its place. Paper money, he asserted, could not answer in the adjustment of the balance of trade with foreign countries. Silver, he said, was of so universal demand all over the world that the continued additions to it were like throwing water into the ocean.

The year 1739 contributed little to legislation or discussion. An act was passed forbidding persons to pass or receive bills of the neighboring governments emitted after May 1, 1738, unless they were made redeemable by lawful money, within ten years from their first emission. John Read, of Boston, submitted to the General Court a plan for a bank of issue based upon a twenty per cent. fund of silver.† He also proposed by collecting interest on loans in silver to accumulate a silver fund which, in ten years,

* Derived through the Act to Prevent the Oppression of Debtors passed 1712; extended 1715, again 1723, and again 1731.

† *Massachusetts Archives*, vol. cii. p. 113.

would amount to seventy per cent. of the circulation of the bank. The proposition apparently did not meet with favor.

It is important that we should glance at the condition of the currency in order that we may understand the complications which had arisen and were about to arise from the various forms of bills in use. The Province bills, first issued in 1702, were upon their face declared to be equal to money, and were receivable in all public payments, and for stock at any time in the Treasury.* In 1737 a second form was put in use. A twenty-shilling bill of this form was declared on its face to be equal to three ounces of coined silver, Troy weight, sterling alloy, and was to be accepted by the Treasurer and receivers subordinate to him in all payments (the duties of import of tonnage of shipping and incomes of the lighthouse only excepted), and for stock in the Treasury. The act authorizing the emission declared one of these new bills to be worth three of the old issue.

The two forms were for a time known as old and new tenor bills. But this method of distinguishing them no longer sufficed when in 1741 a new bill was emitted, which, in the phrase defining the manner in which the bills should be accepted, differed from the form of 1737. The language used in the form of 1741 was "shall be so accepted in all payments and in the Treasury." These bills were for a time called new tenor bills, the bills of 1737 being spoken of as middle tenor bills. Sometimes the bills of 1741 were termed bills of the newest tenor, but this designation soon ceased to be applicable. In 1744, a twenty-shilling bill of an issue then put forth was declared to be

* The bills of the late Colony were in 1692 declared to be equivalent to money. They were reissued from time to time until 1702. In some of the reissues it was provided that they should be received in public payments with an advance of five per cent. This practice of allowing a premium of five per cent. when the bills were paid into the Treasury was continued in favor of the Province notes until 1720.

equal to two ounces, thirteen pennyweights, and eight grains of coined silver, troy weight, sterling alloy, and was to be accepted in all payments in the Treasury. The bills were thereafter known as old tenor, middle tenor, new tenor firsts, and new tenor seconds.

Such was the state of the currency of the Province while the bank discussion was going on. A curious proposition for a hybrid bank to be run jointly by the Province and a company of merchants appeared in 1740.* The notes were to be at the rate of twenty shillings an ounce for silver and were to be signed by a Committee of the General Court and by agents in the name of the Company. They were to be delivered by the Province to the Company and payment was to be made by the Company in silver in ten annual installments. The scheme was impracticable enough; but it is interesting to note one method by which the writer sought to gain a cheap popularity for it. He proposed that 3,000 ounces should "be given to Harvard College so far to make good the loss their stock has sustained by the fall of the credit of your Province bills."

An intelligent discussion of the currencies of the several British plantations in America, which leads up to a comparison of the propositions for the Land and Silver Banks, was issued in pamphlet form in 1740.† This pamphlet, which is attributed to Dr. Douglass, gives details of the growth of the paper currency, of the changes in the rate of silver, showing the coincidences with large emissions, and points out by dates the gradual postponement of the calling in by the Province of the notes. It shows who were the real sufferers by these emissions and proves by estimates of the purchasing power of the cur-

* *A letter relating to a Medium of Trade, in the Province of the Massachusetts Bay.* Boston, 1740.

† *A discourse concerning the currencies of the British plantations in America, especially with regard to their paper money. More particularly in relation to the Province of the Massachusetts Bay in New England.* Boston, 1740.

rency afloat at different periods that the increase of supply found a compensation in the increased premium of silver, so that large issues did not actually add to the circulating medium. The writer regards long credits as a result of an inefficient medium of trade. He condemned the Land Bank, but thought a properly organized Silver Bank might be beneficial.

In both of the pamphlets issued by Dr. Douglass he had discussed the proposition laid down by the person who in 1738 had published a pamphlet attacking the proposed plan for a new form of bills. This author felt compelled to reply, and put upon the market a printed document of seventy-eight pages, in which he developed a scheme of relief and answered the two pamphlets issued by Dr. Douglass.* Silver, he says, has an accidental value through the common consent of the world; if this were withdrawn, it would be of no value. Province bills have no intrinsic value; but they have an accidental value like silver. This is based on the promise of the government and the consent of the people to receive them. They are not universal, but local commodities. That they are commodities he infers from a comparison of their functions with that of silver. Money is the commodity chosen by the world in general, or by any community of people in particular, to pass in trade and for which contracts and agreements are usually made. Values of ordinary commodities change with the proportion between the quantity to be sold and the demand for that quantity. Judgment may be formed of the change of value of money by comparing it with other things in the market. Perhaps the best way to form an opinion of the change of the value of silver money, is by the influence it has on the mode of living. The change of the

* *An Inquiry into the nature and uses of money; more especially of the bills of Publick Credit, Old Tenor. Together with a proposal of some proper Relief in the present exigence. To which is added a reply to the Essay on Silver and Paper Currencies [sic].* Boston, 1740.

rate of interest is evidence of the change in the proportion of quantity of and demand for money. Measured in this way, the value of silver in 1740 is only one-third what it was in 1691. Province bills have not undergone any other change than that common to all commodities. No man has been obliged to let his money under six per cent. The irregularity of their emission has caused irregularity in the rise of silver, but by the mere operation of trade it would have risen in any case. The variations in the quantity of silver produce the same effect. He makes a comparison between Great Britain and Massachusetts Bay as to the number of the people, the yearly expense and the quantity of money, and concludes that they have in Great Britain a sum of money equal to one-third of their yearly expense, while in the Province there is only one-twentieth. The balance of trade with Great Britain he calls a balance of debt.

The qualifications of money, he maintains, are that it shall be stable in value, of convenient matter, current by common consent, and sanctioned by public authority. Money without intrinsic value, for which there is no demand elsewhere, will not be exported. It is better, he says, to have silver on the footing of a commodity than of money,—apparently forgetting that he has already taken great pains to prove that money itself was a commodity. Bills are more convenient than silver. While gold and silver are used for foreign exchanges, there is no common consent as to the proportion of alloy. Every country must choose a special or local regulation of money as an instrument of commerce, and in this respect Bills of Credit are to be preferred. Government has made them a legal tender, and by common consent they are current.

His scheme for a bank is for a number of men to associate themselves together, emit bills, and agree to receive them as money. The undertakers are to furnish security that they will always receive the bills according to their

tenor and are to be bound to the holders of the bills in a satisfactory manner. No undertaker is to take out over ten per cent. of the sum he subscribes, the balance to be loaned at six per cent. on good security, and payments to be made either in the bills of the bank or in silver at current market rates. He speaks of a variety of schemes lately proposed, and makes a special attack on the Silver Bank which had been inaugurated by the opponents of the Land Bank. He then proceeds to deal with Dr. Douglass's pamphlets, taking them up and discussing them paragraph by paragraph.

The discussion in the press and in pamphlets was now directed to the advocacy of one or other of the two schemes, Land Bank and Silver Bank, which were seeking to secure the public favor. A pamphlet appeared in 1740 which praised the Land Bank scheme, giving a description of the manner in which it was founded, and laying stress upon the great numbers interested in its success.* The writer alleged that there would be no occasion to retire the notes annually paid in on the mortgages, because they would be perfectly good in the hands of possessors, and the Company had promised to redeem them in commodities at the end of twenty years.

In the spring of 1741 still another pamphlet appeared which is attributed to Dr. Douglass.† At the time when it was written news had been received that the Board of Trade upheld the Governor and Council in their attempts to check the projectors of the Land Bank, and that they were considering measures to put a stop to the scheme. The writer in caustic language points out the weakness of the scheme and shows why the Silver Bank is preferable. He says the projectors gave to the Land Bank,

* *A letter from a Country Gentleman at Boston to his friend in the Country.* Dated, Boston, June 10, 1740.

† *A letter to — — Merchant in London concerning a late Combination in the province of the Massachusetts-Bay in New England to impose or force a private-Currency called Land-Bank-Money.* Printed for the Publick good, 1741.

which he terms a bubble, the specious name of a bank. It has not the least affinity to banking. This sham bank, he adds, has no stock in the Treasury; and the face of their bills promising to accept them for stock in the Treasury, is an arrant bubble. In other countries, he says, the opulent, the honest, the men of credit have banks; here, the indigent, the debtors, the fraudulent set up for bankers. The managers spirit the people to mutiny, sedition, and riot. One gives it for law that no orders from the Boards at Whitehall, no Acts of Parliament, can put a stop to their proceedings.

This pamphlet brought forth a reply within a week from its publication.* The writer, in justifying the legality of the Land Bank notes, refers to a decision of the Privy Council in the case of the New Hampshire private notes, to the effect that they saw no reason for interfering with them. He denies the aspersions upon the character and standing of the subscribers to the Land Bank, and claims that the scheme as adopted is widely different from Colman's original proposition. He calls attention to the devotion of civil and military officers who have resigned their commissions, conscious of the justice of their cause, and alleges that whole troops, nay, almost whole regiments, either actually resigned, or informed their colonels when examined that they would resign, rather than not encourage the affair. The bills, he says, are in general use, notwithstanding the opposition to them. No other, of whatever sort, with the like opposition, could have gained the like credit.

Douglass apparently felt that some answer was essential to this pamphlet, and in the following month he issued a new attack on the Land Bank.† Continuing his

* *A letter to the Merchant in London to whom is directed a printed letter relating to the Manufactory-undertaking, dated New England, Boston, February 21st, 1740, 1. Printed for the public good, 1741.*

This pamphlet is dated Boston, Febr. 27th, 1740, 1.

† *A second letter to — — Merchant in London, concerning a late combination in the Massachusetts-Bay in New-England, to impose or force a private Currency, called Land-Bank-Money. (Dated Boston, March 31, 1741.)*

argument that the subscribers belong to the debtor portion of the community, he states their declarations to the public to be substantially as follows: we have had a meeting, and are combined and resolved to pay only so much on the pound, at a long forbearance, by a barefaced, fraudulent contrivance. He repeats many of the points which he had already made and refers to rumors already current of disastrous speculations by the managers. Among them he refers to transactions in Nova Scotia wheat and the Director's logwood, bought and sold at a great discount upon their Land Bank bills. As to the New Hampshire paper money, he says it died a natural death in its infancy, the signers and undertakers refusing to take it in payment.

The pamphlet literature connected with the Land Bank may be said to have closed with an account of the rise, progress, and consequences of the Land and Silver Banks, issued in 1744.* This consists of a carefully prepared historical résumé of the events connected with the rival banks, and is personal in its character only in its criticisms of Governor Belcher, whom the author charges with duplicity.

Having now reviewed the literature to which the bank schemes gave rise, we may turn to the attempt actually made in 1740 to carry into effect the Land Bank and manufactory scheme. The more important events in this extraordinary experiment will be sketched in chronological sequence.†

* *An account of the rise, progress, and consequences of the two late schemes commonly call'd the Land Bank or Manufactory Scheme and the Silver Scheme, in the Province of the Massachusetts Bay. Wherein the conduct of the late and present G—— during their Ad——ns is occasionally consider'd and compar'd. In a letter from a gentleman in Boston, to his friend in London. Printed in the year 1744.*

† For some further account of these events see a paper by the present writer on *Provincial Banks: Land and Silver*, in the Publications of the Colonial Society of Massachusetts, vol. iii.

At the session of the General Court, begun on the fifth of December, 1739, and continued in the month of January, 1740, a scheme was presented by John Colman and three hundred and ninety-five others, for emitting bills secured by real estate, which were to serve as a medium of trade. This scheme may be briefly described as follows: Subscribers to a so-called stock of £150,000, agreed to borrow a certain amount in bills of the Company. Their voice in its affairs was determined by the size of their subscriptions. According to the prospectus, the only payment which was required to be made was forty shillings on each thousand pounds — two-tenths of one per cent. — for organization expenses. Each subscriber was to furnish satisfactory mortgage security for his loan, on which he was to pay interest at the rate of three per cent. per annum; while the principal was to be paid in twenty annual instalments of five per cent. each. These payments were to be made either in the notes of the Company, which were spoken of as Manufactory Notes, or in hemp, flax, cordage, bar-iron, cast-iron, and certain other enumerated commodities. Each subscriber was required to sign an instrument in which he agreed to indemnify the signers of the notes. It was apparently intended that the profits which the Company might earn should furnish a capital; for it was provided that, in making dividends, care should be taken that there should still remain in the stock double the principal paid in from time to time. On personal security, loans not exceeding one hundred pounds were permitted.

The form of the bill which it was proposed to emit, as originally printed in the broadside of the Company, contained no promise to pay, but was simply a promise in behalf of the partners to receive the same in all payments, trade, and business. It was afterwards amended by adding an agreement to pay the possessor the value thereof, in manufactures of this Province. In the bill which was

actually issued, a rate in silver and a time at which the bill would be paid were introduced. The form was as follows :—

We jointly and severally promise for ourselves and partners to take this bill as lawful money at 6s. 8*d.* per ounce in all payments, trade, and business, and for stock in our treasury at any time; and, after twenty years, to pay the same at that estimate on demand to Mr. Joseph Marion, or order, in the produce or manufactures enumerated in our scheme, for value received.

It is obvious that it would have been possible for the mortgage loans of the Company which should issue these notes, to be paid off entirely in commodities, thus leaving the notes afloat without other security than was afforded by the partnership. Of the men who composed this partnership, Hutchinson says that a few were “of rank and good estate,” but they were “generally of low condition among the plebeians, and of small estate, and many of them insolvent.”

In considering the question of the probable reception by the public of notes which might be paid in commodities, and which, as we have seen, might lose whatever security the mortgages behind them gave, it must not be overlooked that the Merchants’ Notes of 1733 had appreciated in a very short time to a premium of 33 per cent. The conditions of the two experiments were not parallel; but evidently, the experience with the Merchants’ Notes furnished an argument in favor of the probable acceptance by the community of the Land Bank notes. When to this is added the fact that great numbers were interested in the scheme, who, by their example and enthusiasm, brought in new converts daily, it can be understood that the financial weakness of the subscribers as a class might be overlooked by the inconsiderate. At all events, Hutchinson says that “the needy part of the Province” favored the bank, and that “a majority of the

representatives for 1740 were subscribers to or favorers of the scheme.” *

It was clear, therefore, that the opponents to the Land Bank must take active steps if they wished to stop its progress. Their first effort was through the organization of a rival bank, which has been already referred to as the Silver Bank. Its purpose was to issue bills on a silver basis. These bills ran for fifteen years, and were then redeemable at the rate of twenty shillings per ounce for silver. Meantime, the directors promised to receive them in trade and business at the following rates : —

In 1741,	an ounce of silver at the rate of	28s. 4d.
“ 1742,	“ “ “ “ “	27s. 9d.
“ 1743,	“ “ “ “ “	27s. 2d.

And so on with an annual reduction of seven pence in the rate of silver till it reached twenty shillings in 1755, the date at which the notes were payable. This annual appreciation of the notes was the equivalent of a low rate of interest, and, unless the premium on silver had fallen, would have caused the notes to be hoarded.

The amount of the silver notes which it was proposed to issue was £120,000. When issued, they thus represented in terms of silver, at the stated rate for redemption in 1741 (28s. 4d. per ounce), less than one-fifth of the proposed issue of the Land Bank, which was £150,000 with silver rated at 6s. 8d. per ounce.

The projectors of the Silver Bank, having with great ease secured from men of good financial standing the necessary subscriptions for their scheme, also made application to the General Court for its approval and sanction. We need not follow in detail the contest which took place in the Assembly. It is enough to say that the House favored the Land Bank, and that the Governor and Council were opposed to it. As an incident of the opposition

* Hutchinson, II., 394.

to the Land Bank, the Council favored the Silver Bank. Under these circumstances neither scheme could secure legislative approval. Temporarily, all proceedings in connection with both were suspended, and the projectors were prohibited from going further until the Assembly should meet for its session of May, 1740. Petitions in favor of the Land Bank were heard in the House, while great numbers of the merchants of Boston flocked to the Council Chamber to urge action against it.

In the fall of 1740, the period of temporary prohibition having expired, there was no longer any reason why the two schemes should not be launched if their projectors were willing to proceed without any legislative approval. Both were then organized, and proceeded to issue their notes, the Land Bank having by this time secured about a thousand subscribers. The conflict, confined up to this time to the General Court, was now to a certain extent transferred to the columns of the press. Statements signed by merchants, to the effect that they would or would not receive Land Bank notes in trade, were to be found there, and many advertisers specified whether these notes would be received in payment for advertised articles. The great number of notices upon this subject, which appeared in the newspapers, showed how thoroughly the public was interested in the contest.

The governor, having failed in his efforts to prevent the organization of the Land Bank, concluded that the intervention of Parliament alone could stop its progress, and so stated in his correspondence. Preliminary steps in that direction were taken in October, 1740, by the opponents of the scheme. Pending any results from this action, the Governor proceeded to exercise the power which he held over office-holders. Proclamations were issued, addressed to all who held office under him, warning them against giving encouragement to the passing of Land Bank notes, and threatening to remove them from

office if they did so. Registers of Deeds were compelled to furnish lists of the Land Bank mortgages. A veritable reign of terror was inaugurated among the office-holders, and many were removed from their positions, civil and judicial as well as military. Attorneys favoring the bank were deprived of the privilege of probate practice before the Council. All these steps, however, failed to prevent the circulation of the Land Bank notes, especially among the poorer towns, many of which voted to receive them for town rates. The hostility of the wealthy men of Boston, and the boycott which they inaugurated, were in all probability more effectual than the violent and tyrannical methods of the Governor. If this opposition did not prevent, it at any rate seriously interfered with the circulation of the Land Bank notes. So great was the excitement attending the struggle over the notes that in the spring of 1741 information came to Boston of a contemplated outbreak in several of the towns in the southern part of the Province, the apparent purpose of which was to compel certain persons to sell their supplies of corn for Land Bank bills. This information was specific enough to cause the issue of a warrant for the arrest of a number of the alleged conspirators; but the premature disclosure prevented actual outbreak.

By this time (1741) there was enough apparent success on the part of the Land Bank to lead to the projection of several local banks of the same sort. One, which was started at Ipswich, actually prepared for circulation notes of small denominations. But, while the effect upon the public was such as to lead to the organization of these imitation Land Banks, there is evidence that the original company was already experiencing difficulty in keeping its notes afloat. The greater part of the mortgages given to the Land Bank were executed in September, 1740. In March, 1741, the Company prepared a blank form for a supplementary agreement to be entered into between the

subscribers and the Company, in which it was provided that the subscribers should pay one-half at least of the annual instalment on the principal in the manufactures mentioned in the mortgage. In other words, they had already discovered that there was difficulty in keeping out their notes, and were obliged to call upon the subscribers to make at least one-half of their payments in commodities.

The controversy between the House and the Council, during the spring and summer of 1741, remained upon the same footing as before. The House was still in the hands of the friends of the Land Bank, and remained so until the doom of the bank was announced through the publication of the Act of Parliament directed against it. It is a singular fact — probably not known at that time — that in 1735 the attorney-general of his Majesty had given a written opinion to the effect that he had considered a scheme for erecting some sort of a bank in Boston, in which he stated that he could see no objections thereto in point of law. The Board of Trade also had, in 1736, reported to the Privy Council that it would be a great hardship to set a public mark of discredit upon a number of merchants in New Hampshire, who were engaged in a scheme for issuing what were known as New Hampshire Merchants' Notes. This report of the Board of Trade was known in Boston, and justified the argument that the founders of the Land Bank had not violated any existing law. Parliament was, however, called upon to suppress the enterprise, and was found to be equal to the emergency.

An act, familiarly spoken of as the Bubble Act, had been passed in the previous reign (1720), which would undoubtedly have made such an enterprise as the Land Bank illegal in Great Britain, but which by its terms did not appear to apply to the Colonies. It was, therefore, specifically enacted in 1741 that the Bubble Act did originally apply, had continued to apply, and was then in full

force, in the Colonies. By the terms of the law thus extended to the Colonies every contract made either by the Land or the Silver Bank, or by any similar organization, was rendered null and void. All those who had participated in any way in either of the schemes were rendered individually liable to possessors of the notes of the respective companies. They were declared to be liable to the penalties of the Public Nuisance Act, and they further incurred the penalties of the Statute of Provision and Præmunire. Treble damages were to be entered up in any suit for damages, if the offender persisted in violating the act after the 29th of September, 1741.

There were, among the subscribers of the Land Bank, many who were not disposed to acquiesce in this Act of Parliament. Belcher, who was governor at the time of the publication of the act in the Province, had been identified with the violent measures which had been taken to prevent the scheme from succeeding. It is quite within the range of possibilities that, if he had remained in office, there would have been at that time a deliberate opposition to Parliamentary interference, and that the right to apply indiscriminately and unreasonably what Hutchinson terms the "transcendent power of Parliament" would then have been disputed. It happened, however, that Shirley assumed the gubernatorial office in the middle of August, 1741. He was a tactful man, and succeeded in inducing the managers of the Land Bank to take steps towards closing the affair before the limit set in the Act of Parliament.

The condition of affairs was perplexing in the extreme for the subscribers to the Silver Bank as well as to the Land Bank. Their contracts were annulled, and every act performed by them in connection with these schemes was declared to have been illegal. The managers of the silver scheme, although they did not altogether escape the difficulties of their unlucky position, were in a much

better situation than those of the Land Bank. They were few in number, working for mutual protection, and they succeeded in closing the Silver Bank without legislative interference.

The affairs of the Land Bank were permitted to drift for two years. During the interval efforts were made to secure from the subscribers voluntary settlements of their loans. These proceedings were in the main effectual, but their complete success was rendered impossible by a variety of causes. Some of the subscribers had been harassed by suits at the hands of the possessors of notes, and had been compelled to contribute more than their proportion. There had been losses in trade, and these had to be adjusted, notwithstanding the fact that there was nothing in the original scheme which could have made individual subscribers partners to such transactions. Many of the notes had been acquired, according to Hutchinson, for fifty per cent. of their expressed value; but under pressure of the Act of Parliament they had to be redeemed at their face value with interest. Some of the subscribers had left the Province, some were insolvent, and others were recalcitrant. Meantime the government could do nothing to assist the subscribers in their voluntary efforts to close the company except to inaugurate a few criminal prosecutions, under the Act of Parliament, against delinquents. It was finally determined to create a Commission for the purpose of adjusting the affairs of the bank, and in 1743 this was done. This Commission remained in office until 1759, when it was reorganized, to be again succeeded by a third Commission in 1767. By means of various assessments collected from such of the subscribers as could respond, and with the aid of a lottery, which was authorized in 1760, the work of redeeming the bills and of meeting the expenses of the Commissions, seems to have been accomplished; but several important questions were still pending between the subscribers and the directors of

the Company when it finally disappeared from the records of the Province in 1768.

The literature which has been followed in the preceding pages, and the bank schemes which were its outcome, are of interest to the economic student, mainly in their relation to the general course of economic thought and economic history in the first half of the eighteenth century. The bank and paper money schemes are directly connected with the schemes then urged in England, Scotland, and France; the paper money theories are an echo of what the same generation was saying in the old countries. The most important contributions to the literature of economics which they yielded are the writings of Douglass. His *Essay Concerning Silver and Paper Currencies* and his *Discourse Concerning the Currencies of the British Plantations in America* are by far the best of the attacks upon the wild notions of the bank advocates. His *Summary, historical and political, of the first planting, progressive improvements, and present state of the British settlements in North America*, gives tables showing the movement of silver, its effect on salaries, the amounts of bills outstanding at certain dates, and the correspondence between these amounts and the depreciation of silver, which are valuable contributions to economic history and show a keen appreciation of the causes of the disturbances in trade.*

The only disputant on the other side who can lay claim to have fairly grappled with the question on the economic side, is the author of *An Inquiry into the Nature and Uses of Money*, who made an attempt to answer Douglass. These

* Mr. Justin Winsor has called my attention to a series of communications on Nunismatics, which appeared in the Boston *Evening Transcript* in November and December, 1851, and January, 1852, in which there is a description of some of the events connected with the Land Bank. The writer appears to have derived his information from Hutchinson and Douglass, but he evidently relied mainly upon Douglass's *Summary*.

writers approach the matter in a quasi-scientific way, and their works are of value because through them we can trace the movements of exchange and its relation to the currency in circulation; yet the redundancy of their style and the superfluity of their illustrations repel the reader. The common-sense method in which such a writer as the author of *The Present Melancholy Circumstances of the Province Considered*,* who in 1719, declared that a thousand schemes for banks and paper money would not help the Provincials so much as the importation of fewer goods, and the exercise on their part of greater self-reliance, is not only more attractive now but must have been more effective with the average reader of that time. Indeed the same writer published a second pamphlet entitled *An Addition to the Present Melancholy Circumstances of the Province Considered*, within about a month of the issue of the first; which would indicate a favorable reception of the original pamphlet by the reading public. The second, like the first, was brief and unpretentious; yet it was replete with common sense views on the situation,† and is readable to-day.

The controversial part of the discussion ceased with the abrupt closing of the Land Bank. There could be no further question of private banks of issue. The hoped for reduction of the currency did not come. The exigencies of the French and Indian War compelled expenditures

* Compare p. 18.

† *An Addition to the Present Melancholy Circumstances of the PROVINCE considered, &c.*, March 6, 1718-9. *Exhibiting Considerations about Labour, Commerce, Money, Notes, or Bills of Credit*, April 14, 1719. Boston, 1719.

This writer thus treats the question of an irredeemable currency: "I would thank no man for his *Note or Bond*, obliging himself always to owe me a Thousand Pounds, for if he always owes it, he never pays it, and so I shall never be the better for it." He shows that so long as the status quo should be maintained there could be no coin in the Province Treasury. "But I don't see it likely that there should be any stock in the Treasury besides Bills; while the Bills are to be received there at *five per cent. advance*; for while so who would pay his Tax in anything besides Bills?" The effect upon the bills of the process then going on of gradually extending the time of their being

which could be met in no other way than by the issue of more currency. Royal instructions to withdraw the currency proved elastic in the hands of complaisant governors, and concessions were easily procured under the emergencies of war. To crown all, the enormous expenditures incurred in the prosecution of the Louisbourg expedition, sent exchange to upwards of one thousand. The present to the crown of this important fortress, compelled some recognition of the bankrupt condition of the Province, and the British government sent over an amount of coin adequate to meet the expenses of the campaign at the rate of exchange current when the bills were issued. Seventeen trucks loaded with two hundred and seventeen chests full of Spanish dollars, and ten trucks bearing one hundred casks of coined copper, were driven in procession up King Street one day in the fall of 1749. Nearly a year before, an act, which had been introduced in consequence of the presentation of a memorial by Thomas Hutchinson, had provided for the withdrawal of the currency on the basis of seven and one-half to one for old tenor bills,—on condition that the expected cash payment should be made by the mother country. In this manner the return to a specie basis was finally brought about.

In conclusion, it may not be amiss to say a word as to the general position of Hutchinson, the historian, whose part in the resumption of specie payments has just been referred to. Throughout the period of the discussion here under review, Hutchinson had been a consistent advocate

called in is disposed of as follows: "And the shorter the time is for drawing in of Bills the greater will be their value and esteem in the minds of Persons." The vague phraseology of the bills is set forth in the following language: "tho' the Bill says Twenty Shillings are one, from the *Province* to the *Possessor*, yet it do's not directly say that the Province shall pay Twenty Shillings to the Possessor, but only that this Bill shall be accepted as equal to money by the Treasurer." Finally, he points out a way of increasing their value in popular estimation. "I see no way to *raise* their Value and esteem among People, but by lessening their Quantity and calling them in as soon as fairly may be."

This pamphlet came under my consideration too late for notice in proper chronological sequence.

of the doctrines which were at last accepted by the law-making power. Although his history was not written until some years after this time, the doctrines which were laid down in it must be accepted as his constant and unshaken opinions. It is evident that they were not afterthoughts, and many of them are well worthy of attention. Speaking of silver and gold as instruments and measures of commerce, and the effect upon them of bills, he remarks that of two instruments, one in use in a particular state and the other with the whole commercial world, it is easy to determine which must leave that particular state and which remain. Referring to the proposition that the Province should lend its bills, he suggests that this was an easy way of paying public charges, which, no doubt, they wondered that in so many ages the wisdom of other governments had never discovered. And he calls attention to the effect of depreciation of the currency in terms like these: by this sinking in value, though the nominal sum was higher than it had ever been before, yet the currency would produce no more sterling money than it would have done before the emissions were made. Hutchinson thus deserves to be remembered equally with Douglass among the advocates of the principles of a sound currency.

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